

# Beware of Schemes

## Pocketing Premium Payments

One common insurance scheme occurs when an agent fails to turn over a premium to an insurance company, leaving the customer without coverage. A dishonest agent sometimes gambles that a client won't have a claim and "pockets" the premium money.

You can protect yourself from this type of fraud by paying your insurance premiums by check or money order made payable to the company, not to the agent or agency, whenever possible.

Agents who fail to turn over premium money to an insurance company could lose their licenses. Agents may also face criminal theft charges if they keep the money for their own use.

## Twisting

Insurance agents usually receive their largest commissions for the first year a policy is in effect, with lower commissions in later years. Because of this, some agents may "twist" the truth and urge you to change policies or companies. This happens most frequently with life insurance policies.

However, you should be wary of changing any of your policies, because there could be drawbacks.

For example, health insurance policies usually don't pay benefits for illnesses diagnosed before the policy took effect.

Also, some policies may include a waiting period.

## Stacking

Normally, one policy covers a consumer's needs in each insurance area. However, for investment purposes some consumers may deliberately decide to buy more than one annuity or life insurance policy.

Some agents try to sell you unnecessary multiple policies, claiming that you need extra coverage. This happens most frequently with life or health insurance policies.

## Sliding

Sliding occurs when unethical agents try to sell you coverage you either don't want or don't need by telling you it is part of a "package." They may not even tell you about the extra coverage at all.

Sometimes agents will "slide" in extra coverage that carries a high commission along with the low commission coverage you are purchasing.

The most common kind of items that agents "slide" are accidental death coverage, guaranteed renewable term life insurance, or motor club membership.

## Churning

Churning occurs when an agent tries to sell an additional policy to a person who already has a policy with a cash value. The agent promises the person a new policy at a low cost. The problem is that the policy costs so little because the rest of the premium is being drawn out of his or her first policy's cash value. The new policy will eventually deplete the cash value of the first policy. The policyholder will be left trying to come up with money to pay for both policies, or his or her coverage will lapse.

## Other Schemes

Unethical agents sometimes sell fabricated insurance policies. Some claim they represent the federal or state government. And others may use the license of a former or retired insurance agent.

Check with the Louisiana Department of Insurance to verify the license of an agent or company by calling 1-800-259-5300 or 5301, or in Baton Rouge at 342-0895.

### Louisiana Department of Insurance

This public document was published at a total cost of \$571.81. Five thousand (5000) copies of this public document were published in this sixth printing at a cost of \$565.00. The total cost of all printings of this document, including reprints is \$3,309.83. This document was published by Bourque Printing, Inc., 13112 S. Choctaw Dr., Baton Rouge, LA 70815 to inform consumers how to recognize insurance fraud under special exception by the Division of Administration. This material was printed in accordance with the standard for printing by state agencies established pursuant to R.S. 43:31. Printing of this material was purchased in accordance with the provisions of Title 43 of the Louisiana Revised Statutes.

# Consumer Beware

**Don't be  
a victim of  
insurance fraud**



Louisiana  
Department of Insurance

# TOP TEN

## things you can do to stop insurance fraud

**1** Do not buy the first policy you find. With most things you buy, you shop around and compare prices and features. Do the same with insurance. Always obtain quotes from several companies and compare benefits and rates before you pay your first premium.

**2** Be careful to only buy from authorized companies and agents. Unauthorized insurance operations are illegal, and their policyholders are unprotected if they go broke. You can verify this information by calling the Louisiana Department of Insurance.

**3** Be sure to look into an agent's as well as a company's credibility. If the price quoted sounds too good to be true, it probably is. Low premiums do you no good if you receive bad service or the company is unable to cover your claim.

**4** Fill out your application carefully. Never sign blank forms or blank applications. Incorrect, incomplete or false information on your application can jeopardize your insurance coverage. It is a crime to supply false information on an insurance application or claim. Don't let an agent convince you to say anything or file information that is not true.

**5** Never pay for your premium in cash. Always pay insurance premiums by check or money order. Make sure that you have a receipt that shows that you actually paid the premium. Whenever possible, make your payment to the insurance company, instead of the agent.

**6** Expect a copy of your policy from your agent in a reasonable amount of time. (Note: For auto insurance, an ID card is NOT considered a copy of policy.) If you do not receive your policy, contact your agent, and then contact the Louisiana Department of Insurance.

**7** Read your policy immediately to verify that it contains the coverage you discussed with your agent. If not, contact your agent immediately or return your policy.

**8** Remember there is a free-look period in which you have time to review a policy once you have received it. All life and health policies must have a free-look period of at least 10 days, although some may be longer.

**9** Keep copies of all insurance records, including copies of all premium payments. Store extra copies in a safe-deposit box, in a waterproof and fireproof container, or with a friend or attorney.

**10** Call the Louisiana Department of Insurance's toll-free hotline, 1-800-259-5300 or 5301 or 342-0895 in Baton Rouge to ask about a company's or agent's license status, A.M. Best rating, complaint history, or to file a complaint.

## *Still have questions?*

If you believe your insurance company has improperly refused to issue or renew your policy, or refused to pay all or part of a valid claim, you should ask questions first and then complain if necessary.

Your first step should be to contact your agent or company representative. Many times a mistake has been made and will be corrected upon inquiry.

When contacting your agent or company, give them your name, address, telephone number, policy number, type of policy, and the nature of your problem.

## Complaints

If you do not receive a satisfactory response from your agent or company, you may need to file a complaint with the Louisiana Department of Insurance at 1-800-259-5300 or 5301.

## Fraud

If, after receiving a complaint, the consumer affairs representative determines that there is a possibility of fraud, it will be referred to the Louisiana Department of Insurance Fraud Division. If you have a concern about your insurance or know of insurance fraud going on in your area, please contact the Louisiana Department of Insurance Fraud Division at (225) 342-4956.